

Sheila Stoeller



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E. 019334.09.0340

From: tlfinefrock@comcast.net
Sent: Thursday, July 16, 2009 6:35 PM
To: Newman-Web; Pierce-Web; Mayes-Web; Email; Kennedy-Web; Stump-Web
Cc: Charles.Dunn@rbc.com; lhuber@email.arizona.edu
Subject: 2009 JUL 29 P 12:55 TEP 2010 REST Plan, Wages & Historical Profits/Dividends
Attachments: TEP_WageAndDividendHistory_071609.pdf

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Arizona Corporation Commission

DOCKETED

JUL 22 2009

AZ CORP COMMISSION
DOCKET CONTROL
ACC Commissioners:

DOCKETED BY: [Signature]

Please consider the attached information and implementation of the following requests:

The attached documents indicate that the monopoly provided to TEP has been of great value to their shareholders and employees at the unnecessary expense of the ratepayers.

TEP Utility Wages(costs) & Historical Profits/Dividends

The 6th paragraph of the attached 12/10/2008 article: "The company has also increased its dividend each year since the quarterly payments were to shareholders were reestablished in 2000." The dividend history chart also indicates that they have no problem acquiring revenues that exceed their costs. And this during atime when most competitive businesses are struggling to breakeven, avoid bankruptcy.

The attached study by the AZ Department of Commerce illustrates that the Utility sector enjoys the highest average labor wage in the State of Arizona; 10% higher than Management sector; 25% higher than Professional, Scientifica and technical sector; and 74% higher than Manufacturing. As the sectors where competition exists indicate this would not be achievable without the monopoly condition provided to the utilities. The premium wages also purchase a lot of biased support by their Union at ACC hearings. The wage costs are also not "reasonable" and should not be allowed for inclusion in their cost basis, which unreasonably inflates the fee or profit portion of the rate.

TEP Recovery of Lost revenues Due to Customer Solar Electric Power Generation

The TEP 2010 REST Plan (docket 09-0340) requests recovery of lost revenues caused by Customer deployment of commercial scale solar electric generating facilities. The above circumstances indicate that they have acquired significantly more revenues than costs and the request should be denied. Additionally, the only reason Customers are establishing these facilities is to avoid cost increases because TEP is not doing so. Commercial scale PV Solar electric projects(1MW) cost about 23 cents/kwh PPA; Utility scale(15+MW) can be PPA'd for about 15 cents/KWH; Procurement of 30-50MW/year with multi-year commitments will enable the market to accelerate cost reduction and the achievement of parity w/fossil fuel power production.

Cost Control/Reduction vs. Cost Recovery Rate Reform

I am also requesting that you consider rate reform that generates value and benefit to both Shareholders AND Ratepayers. The current rate structure and PPFAC tariff provides disincentives for cost control or reductions, focuses only on cost recovery; stifles the incentive to sponsor and develop new technologies such as solar electric to stabilize and avoid cost increases and that considers "total" costs. Essentially, agree on REASONABLE costs, provide only minimal (1%?) fee or profit for their no risk monopoly position, and if they reduce those costs by 10% only reduce the Rate by 6%....they earn 4% profit. These figures are not intended to be actual, only to convey the concept. TEP has

insufficient risk to justify anything other than "passbook" returns on investments; they are guaranteed all sales in their region, have no risk except for the management they hire, said risk should be borne by Shareholders not Ratepayers.

Sincerely,
Mr. Terry Finefrock
Tucson Ratepayer
520-444-9225



Business is Booming!

- 1st on Expansion Management Magazine's list of Top States for Recruitment & Attraction: Arizona (May/June 2007)
- 1st on Expansion Management Magazine's list of Top Large Metros for Recruitment & Attraction: Phoenix-Mesa (May/June 2007)
- 1st on Expansion Management Magazine's list of Top Mid-Size Counties for Recruitment & Attraction: Pima (May/June 2007)
- 1st in Entrepreneur Magazine's list of the Hot Cities for Entrepreneurs: Phoenix (September 2006)
- 2nd ranked in % of High-Impact firms in medium MSAs, Tucson**
- 2nd on Inc. Magazine's list of the Hottest Large Cities for Doing Business: Phoenix (Boomtowns 07, May 2007)
- 2nd on Inc. Magazine's list of the Hottest Small Cities for Doing Business: Yuma (Boomtowns 07, May)
- 2nd on Forbes List for top 25 Best Spots for Job Opportunities - Phoenix (February 2007)
- 2nd fastest growth rate for majority women-owned firms in US (Center for Women's Business Research 2006)
- 3rd in Semiconductor Exports, 4th in Tech Export Concentration in US (AeA, Trade in the Cyberstates: 2008)
- 3rd ranked in % of High-Impact firms in large MSAs, Phoenix-Mesa**
- 7th nationally for the number high-tech establishments in Arizona (AeA, Trade in the Cyberstates: 2008)

** Corporate Research Board, American Corporate Statistical Library (2007)

Arizona is one of the fastest-growing, most dynamic economies in the nation. Phoenix is now the nation's fifth most populous city. Both Fortune 500 and start-up technology companies call Arizona home, reaping the advantages of a competitive business climate and tax structure, a skilled, knowledge-based workforce, and world-class innovation, cultural and scenic resources.

GROWTH INDICATORS

	2000	2008	% CHANGE 2000 - 2008
State Population	5,130,632	6,629,455	29.2%
Gross State Product (\$billion)	\$158.5	\$248.8	57.0%
Personal Income (\$ billion)	\$132.6	\$214.2	61.6%
Per Capita	\$25,653	\$32,953	28.5%
Retail Sales (\$billion)	\$37.6	\$49.7	32.3%
Value of All Building Permits (\$billion)	\$11.7	\$12.4	6.41%
Total Net Assessed Valuation (\$billion)	\$31.8	\$86.1	171%
Department of Defense Contracts (\$billion)	\$4.6	\$11.2	144%

Sources: Arizona Department of Commerce, U.S. Census, Arizona Department of Revenue, Arizona Real Estate Center - Arizona State University, www.governmentcontractswon.com, Bureau of Economic Analysis

PRINCIPAL ECONOMIC ACTIVITIES

The major employment sectors in Arizona include aerospace, electronics and semi conductor manufacturing. Tourism, business services and back-office operations are also important sectors. Arizona's original export activities - agriculture and mining - remain significant in many rural parts of the state. Based on sheer size, the real estate and rental industries, the diverse tourism sector, and government are the largest economic sectors in Arizona. Relative to the national average, the construction sector is also unusually large because of the state's rapid growth in most recent years.

ARIZONA EMPLOYMENT BY SECTOR Quarterly Census of Employment and Wages [QCEW or ES-202] 2008 Q3 Employment & Wages

Industry	Employment	Emp. % Change 07-08	Average Wage
Agriculture & Forestry	17,648	-7.2%	\$27,249
Mining	14,109	18.4%	\$64,624
Utilities	23,812	2.1%	\$76,503
Construction	188,396	-18.2%	\$43,722
Manufacturing	172,845	-5.3%	\$58,630
Wholesale Trade	106,562	-2.3%	\$59,362
Retail Trade	317,880	-4.0%	\$27,509
Transportation & Warehousing	84,400	0.1%	\$43,837
Information	43,295	-3.5%	\$53,717
Finance & Insurance	124,343	-4.7%	\$53,691
Real Estate, Rental & Leasing	51,288	-3.6%	\$40,743
Professional, Scientific & Technical	131,035	-1.2%	\$61,352
Management of Companies	27,582	0.9%	\$68,925
Administrative & Support	226,699	-8.2%	\$30,504
Educational Services	190,245	2.1%	\$36,874
Health Care & Social Assistance	291,359	5.2%	\$46,419
Arts, Entertainment & Recreation	53,968	0.3%	\$32,708
Accommodation & Food Services	230,214	-1.0%	\$16,985
Other (except Public Administration)	73,100	-1.8%	\$29,755
Public Administration	161,778	2.8%	\$51,725
Unclassified	3,163	43.3%	\$41,862
Total	2,535,243	-2.9%	\$41,511

Source: Prepared by Arizona Department Commerce, Research Administration, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics

LABOR FORCE DATA

	2000	2008
Civilian Labor Force	2,505,306	3,132,700
Employed	2,404,916	2,960,200
Unemployed	100,390	172,500
Unemployment Rate	4.0%	5.5%

Source: Special Unemployment Report, Arizona Department of Economic Security, Research Administration, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics

10% higher than MANUFACTURING
25% higher than MANUFACTURING
74% higher than MANUFACTURING

DEMOGRAPHICS

Arizona's fast-growing population is younger than the national average. The state's median age is 34.2, compared to the U.S. at 35.3 years. The proportion of those younger than 25, as well as those over 65, is roughly the same as the nation as a whole.

Age Distribution

Age	Arizona
0-14	23.55%
15-19	7.33%
20-24	6.67%
25-54	40.87%
55-64	8.42%
65+	13.16%

Population Composition

Race	Arizona
White	88.72%
Black	3.67%
American Indian	5.47%
Asian	2.15%
Hispanic Origin*	28.6%

* Persons of Hispanic Origin may be of any race.
Source: U.S. Census Bureau, Census 2000.

POPULATION BY COUNTY

	2000	2008	% Change
Apache	69,423	76,156	9.7%
Cochise	117,755	139,434	18.4%
Cocconino	116,320	135,613	16.6%
Gila	51,335	57,961	10.8%
Graham	33,489	38,633	11.7%
Greenlee	8,547	8,950	4.7%
La Paz	19,715	21,544	9.3%
Maricopa	3,072,149	3,987,942	29.8%
Mohave	155,032	205,862	32.8%
Navajo	97,470	114,780	17.8%
Pima	643,746	1,014,023	20.2%
Pinal	179,727	350,558	95.1%
Santa	38,381	47,471	23.7%
Cruz			
Yavapai	167,517	227,348	35.7%
Yuma	160,026	203,779	27.3%
Arizona	5,130,632	6,629,455	29.2%

Population density for Arizona, 2000: 45.2 persons per square mile. Land area in Arizona: 72,730,860 acres or 113,635 square miles.

POPULATION - LEADING COMMUNITIES*

	2000	2008	% Change
Phoenix	1,326,08	1,561,485	17.8%
Tucson	489,770	543,959	11.1%
Mesa	401,180	459,682	14.6%
Glendale	219,625	248,435	13.1%
Chandler	178,655	244,376	36.8%
Scottsdale	204,195	242,337	18.7%
Gilbert	111,600	214,820	92.5%
Tempe	158,825	172,641	8.7%
Pacina	110,020	151,541	37.7%
Surprise	32,460	108,761	235.1%
Yuma	79,530	93,719	17.8%
Avondale	36,395	76,648	110.6%
Flagstaff	53,600	64,693	20.7%
Goodyear	19,605	59,436	203.2%
Duckeye	6,655	50,143	653.5%

* Ranked by 2008 population; counties in parentheses. Sources: Arizona Department of Commerce and U.S. Census Bureau.

TAXES AND COSTS

Arizona's vibrant and growing economy is facilitated by a tax structure that has become increasingly competitive over the last decade:

- Arizona was the second fastest-growing state, population increased 2.3 percent between 2007 and 2008, only Utah grew faster – according to the US Census Bureau.
- The Arizona sales tax rate is 5.6%. Currently, all fifteen counties levy a tax in addition to the state tax. For Maricopa County, where Phoenix is located, that's 0.7%, making a sales tax of 6.3%. Incorporated municipalities also levy transaction privilege taxes which are generally in the range of 1% to 3%. Hotel and taxi services have additional taxes charged.
- The state of Arizona does not levy a state tax on food for home consumption but some cities in Arizona do so. In addition to the tax imposed by the federal government, Arizona adds a tax on gasoline that is currently 18 cents per gallon. Arizona does not impose an inheritance tax or a gift tax. Arizona does not tax on drugs prescribed by a licensed physician or dentist.
- In 2008 IndustryWeek Magazine ranked Arizona number 1 for the lowest workers compensation and benefits paid in the nation.
- Overall, Arizona's comparative business costs savings versus California and the U.S. at large are generated by lower wages, lower tax burdens, and lower infrastructure costs (*Economy.com*)

Significant business tax reductions have been adopted since 2005 and are expected to further improve Arizona's competitive tax position:

- A 20% reduction in real property tax assessment ratios is being phased in and will be fully implemented by 2011. Also, an accelerated depreciation schedule is available for personal property placed in service after 2008.
- A "weighted sales factor" corporate income tax formula is being phased in over three years effective January 2007.
- New tax credit incentives are now in effect:
 - Investment in early stage companies <http://www.azcommerce.com/BusAsst/Incentives>
 - Commercial solar equipment <http://www.azcommerce.com/BusAsst/Incentives>
 - Health insurance premium tax credit <http://www.azdor.gov/Refunds%20and%20Credits/healthinsurancechoicesmenu.htm>
 - Forest products <http://www.azcommerce.com/BusAsst/Incentives>

For more information:

INTERCITY COST OF LIVING INDEX FOR SELECTED CITIES – First Quarter, 2009 (U.S. Average = 100)

City	All Items	Groceries	Housing	Utilities	Trans.	Health Care	Misc.
Albuquerque	96.8	95.4	99.8	86.3	95.5	97.0	98.2
Atlanta	96.6	98.3	91.1	86.6	102.3	101.8	101.2
Boston	132.6	115.5	154.3	143.6	106.3	131.3	125.6
Dallas	92.2	99.3	71.5	104.5	102.8	104.2	99.1
Denver	104.3	107.9	110.2	96.2	95.7	105.2	102.8
Los Angeles	146.5	109.6	248.0	87.4	112.4	108.7	105.0
Oakland	145.4	124.4	218.4	89.0	112.4	117.8	120.6
Phoenix	101.1	103.3	100.5	89.6	100.4	98.9	104.9
Philadelphia	123.6	124.6	144.3	118.4	103.3	108.9	115.1
Tucson	98.9	105.0	96.9	90.1	99.5	98.4	100.9
Washington, D.C.	137.8	108.2	220.6	94.8	106.1	105.2	103.5

Source: C2ER published in May 2009

Q2, CY 2009

Marketing and Business Attraction
Arizona Department of Commerce
(602) 771-1100
<http://www.azcommerce.com>

Tourism and Recreation
Arizona Office of Tourism
(602) 364-3700 or 866-275-5816
<http://www.azot.gov/>

Arizona State Website
<http://www.az.gov>



ARIZONA DEPARTMENT OF COMMERCE

INTERNATIONAL BUSINESS TIMES

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James S. Pignatelli to Retire as Chairman, President and CEO of UniSource EnergyPosted 10 December 2008 @ 02:45 pm ET

James S. Pignatelli will retire as Chairman, President and Chief Executive Officer of UniSource Energy Corporation (NYSE: UNS) and affiliates Tucson Electric Power (TEP) and UniSource Energy Services (UES) effective December 31, 2008.

UniSource Energy's Board of Directors is reviewing potential successors to Pignatelli and expects to complete that task in the near future.

Pignatelli, 65, has held his current posts since July 1998, when he succeeded outgoing Chairman, President and CEO Charles Bayless. Pignatelli had served as a Senior Vice President and Chief Operating Officer after coming to TEP in 1994 on the heels of a five-year stint as President and CEO of Mission Energy Company in Irvine, Calif.

"Under Jim Pignatelli's leadership, UniSource Energy has generated value for shareholders while greatly improving its financial stability and providing reliable service to a customer base that has nearly doubled in size during his tenure," said John L. Carter, Lead Director, and a member of UniSource Energy's Board of Directors since 1996. ✓

Pignatelli oversaw a significant expansion of TEP's infrastructure, including the construction of one of the world's most productive solar arrays and an upgrade that increased the output of the company's largest power plant by more than 50 percent while reducing its overall emissions. He also engineered the 2003 acquisition of the gas and electric distribution systems that now serve nearly 240,000 UES customers across Arizona.

Those investments and the ongoing improvements that have helped TEP and UES reliably meet their customers' growing energy needs have coincided with significant debt reductions and a dramatic improvement in UniSource Energy's credit ratings. The company also has increased its dividend each year since the quarterly payments to shareholders were reestablished in 2000. ✓

These accomplishments were remarkable, Carter said, because they came during a period when TEP's rates were capped at a level beneath what the company charged in 1994. Pignatelli helped negotiate a settlement agreement establishing new rates that took effect this month upon a unanimous vote of the Arizona Corporation Commission (ACC).

"The resolution of TEP's long effort to establish new rates leaves UniSource Energy in a very strong position which will continue under Pignatelli's successor," Carter said.

Carter said TEP and UES will maintain the strong community service ethic that has flourished through the award-winning employee volunteer program established under Pignatelli's leadership. Over the past decade, UniSource Energy has leveraged significant resources in support of employees' volunteer efforts to assist hundreds of non-profit groups across Arizona.

"Our employees understand that a company's success is determined in large part by its impact on the communities it serves," Pignatelli said. "By that measure, I believe we have plenty to be proud of."

Pignatelli said he was grateful for the efforts of the company's employees: "Whoever the board chooses as my successor," he said, "our dedicated and talented work force will ensure that the company remains focused on providing reliability, service and value to customers and shareholders alike."

UniSource Energy's primary subsidiaries include Tucson Electric Power Company, which serves nearly 400,000 customers in southern Arizona; UniSource Energy Services, provider of natural gas and electric service for about 236,000 customers in northern and southern Arizona; and Millennium Energy Holdings, parent company of UniSource Energy's

Highest WAGE IN
AZ Buys ALOT
OF LOYALTY
AT RATEPAYER
EXPENSE

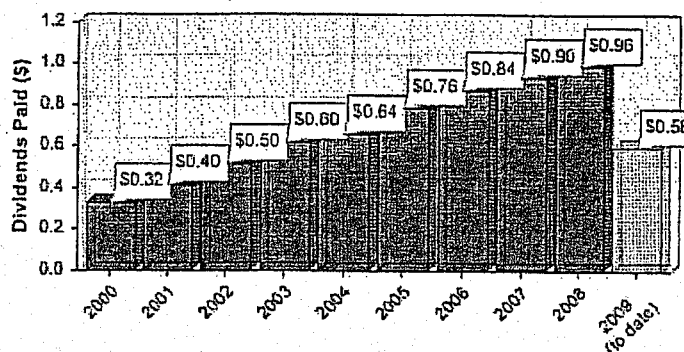
Investor Relations

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Dividend History

Annual Dividends Issued



Most Recent Dividend

Enter number of shares: × 0.29 =
 Dividend Value:

Historical Dividends Issued

Declared	Ex-Date	Record	Payable	Amount	Type
May 7, 2009	May 18, 2009	May 20, 2009	Jun 15, 2009	0.29	U.S. Currency
Feb 13, 2009	Feb 20, 2009	Feb 24, 2009	Mar 9, 2009	0.29	U.S. Currency
Total dividends paid in 2009:				0.5800	
Dec 5, 2008	Dec 12, 2008	Dec 18, 2008	Dec 29, 2008	0.24	U.S. Currency
Aug 15, 2008	Aug 21, 2008	Aug 25, 2008	Sep 5, 2008	0.24	U.S. Currency
May 1, 2008	May 9, 2008	May 13, 2008	May 27, 2008	0.24	U.S. Currency
Feb 27, 2008	Mar 6, 2008	Mar 10, 2008	Mar 21, 2008	0.24	U.S. Currency
Total dividends paid in 2008:				0.9600	
Dec 7, 2007	Dec 14, 2007	Dec 18, 2007	Dec 28, 2007	0.225	U.S. Currency
Sep 4, 2007	Sep 13, 2007	Sep 17, 2007	Sep 28, 2007	0.225	U.S. Currency
May 11, 2007	May 21, 2007	May 23, 2007	Jun 15, 2007	0.225	U.S. Currency
Feb 9, 2007	Feb 15, 2007	Feb 20, 2007	Mar 14, 2007	0.225	U.S. Currency
Total dividends paid in 2007:				0.9000	
Dec 1, 2006	Dec 8, 2006	Dec 12, 2006	Dec 27, 2006	0.21	U.S. Currency
Sep 14, 2006	Sep 21, 2006	Sep 25, 2006	Oct 10, 2006	0.21	U.S. Currency
May 5, 2006	May 15, 2006	May 17, 2006	Jun 9, 2006	0.21	U.S. Currency
Feb 10, 2006	Feb 16, 2006	Feb 21, 2006	Mar 15, 2006	0.21	U.S. Currency
Total dividends paid in 2006:				0.8400	
Dec 2, 2005	Dec 9, 2005	Dec 13, 2005	Dec 27, 2005	0.19	U.S. Currency
Sep 9, 2005	Sep 16, 2005	Sep 20, 2005	Oct 3, 2005	0.19	U.S. Currency